



# Republican Policy Committee

Don Nickles, Chairman Doug Badger, Staff Director 347 Russell Senate Office Building (202)224-2946 <http://www.senate.gov/~rpc/>

March 18, 1996

## Will Beijing Shanghai Taipei?

## Clinton Administration Policies Have Long Invited Beijing's Saber-Rattling

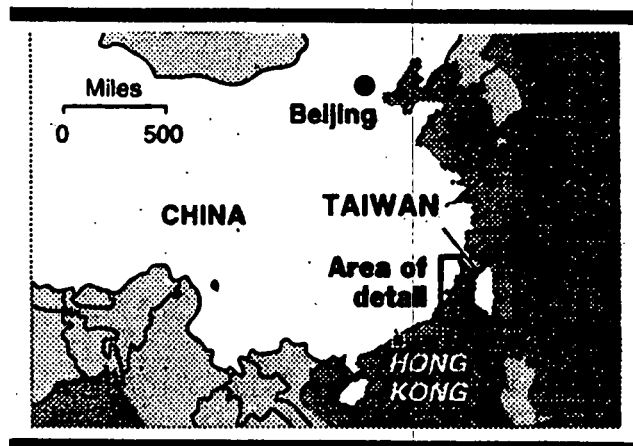
*[See also RPC companion paper, "Resolutions on Taiwan May Be Considered By House and Senate This Week," 3/18/96]*

Beijing — in a move designed to influence the upcoming Taiwan elections on March 23, 1996, and to curtail what it perceives as Taipei's growing democratization and independence movement — has been conducting ballistic missile tests and live ammunition exercises in the Taiwan Strait.

These Chinese military movements may prove to be the Clinton Administration's biggest foreign policy challenge. In retrospect, it appears that the crisis is largely one of the Administration's own making. A review of the Clinton record reveals a pattern of weakness and uncertainty that can only have encouraged Beijing to continue with its increasingly bellicose behavior.

### Administration Response to the Current Crisis

The White House stated that the United States is "**deeply disturbed**" by the Chinese actions [*Washington Post*, 3/14/96]. Secretary of State Warren Christopher stated: "The actions they've taken have been reckless. They've been risky. And the actions they've taken, I believe, smack of intimidation and coercion, so that is a situation of grave concern to us" [*Meet the Press*, 3/10/96]. But the Administration has refrained from stating specifically what action it might take.



In fact, the Administration has bent over backwards to appear neutral. In response to the questions, "What is the nature of American military's commitment to Taiwan?" and "What would we do if Taiwan

is threatened?" Secretary of Defense William Perry stated, "... it does **depend very much on the circumstances**, and at this point, at least, with the present level of concern but no imminent danger, I do not believe we will make a statement more definite than that" [Remarks by Secretary of Defense William Perry at Washington Institute for Near East Policy, 2/6/96]. This Administration policy of "strategic ambiguity" was criticized in a recent *Washington Post* editorial which stated:

**"In the circumstances, American strategy needs a dose not of ambiguity but of clarity. The immediate requirement is to convey that the United States will ensure that China does not alter the relationship between itself and Taiwan by force. The movement of ships is the classic response. But the effect of these gestures should not be undermined by official chatter about 'ambiguity' and by speculation about what a given American response might or might not be. Such talk makes it sound as though the United States is reluctant to step up to its responsibilities. It invites misunderstanding"** [*Washington Post*, 3/13/96].

### **Past Clinton Cave-Ins to China Set Stage for Current Crisis**

The current trouble in the Taiwan Strait should be seen in light of the Clinton Administration's consistently craven policy toward Beijing, and its willingness to repeatedly acquiesce to China.

#### ***China Retains Most Favored Nation (MFN) Trade Status***

During the 1992 presidential campaign, then-candidate Clinton harshly criticized the Bush Administration's decision to renew China's "Most-Favored-Nation" (MFN) trade status, despite widespread abuses of human rights, as exemplified by the June 1989 Tiananmen Square Massacre. "We will condition favorable trade terms with repressive regimes — such as China's Communist regime — on respect for human rights, political liberalization, and responsible international conduct" [*Putting People First*, pp. 138-139].

Likewise, the 1992 party platform for the Clinton/Gore ticket promised to condition "favorable trade terms for China on respect for human rights in China and Tibet, greater market access for U.S. goods, and responsible conduct on weapons proliferation." In line with these campaign promises, in June 1993



President Clinton renewed China's MFN status pursuant to an executive order that made further extension (i.e., beginning in 1994) contingent upon improvement on human rights.

Beijing's policies over 1993 and 1994 may well have been a deliberate effort to humiliate the Clinton Administration. As the 1994 deadline for deciding whether or not to extend MFN approached, the Clinton Administration was faced with a China whose human rights record could not possibly justify extension under the terms of President Clinton's own executive order.

In March 1994, Secretary of State Warren Christopher traveled to Beijing to warn Chinese leaders that they must improve their record if they wished MFN to be extended. Expecting that the Clinton Administration would back down and renew MFN no matter what they did, the Chinese went out of their way to embarrass Christopher, arresting prominent pro-democracy activists while the American Secretary of State was in the Chinese capital. (The unfortunate Secretary of State's predicament descended to the point, even as he sternly warned the Chinese that strong U.S. action was in the offing, that his Chinese hosts had already been informed through a back-channel to Washington — *without Christopher's knowledge* — that no such action would be taken. In short, the Chinese knew he was bluffing, but he didn't know they knew.)

In May 1994, denied even a fig-leaf to hide the failure of his policy, President Clinton announced that he was unconditionally renewing China's MFN and "de-linking" MFN from human rights, stating that his previous policy had "outlived its usefulness."

### ***Technology Transfers and Clinton's Parade to China***

In November and December of 1993, the Clinton Administration relaxed export controls, allowing China to freely buy powerful computers and advanced telecommunications equipment. These technologies had previously been considered strategically and militarily sensitive, and had been exported only to "trusted countries."

**First Top Level Military Contact Since 1989; Perry Goes to China:** The Clinton Administration rewarded Beijing's misbehavior regarding China's snub of Secretary Christopher in March of 1994 by sending Secretary of Defense William Perry on a four-day trip to China seven months later. This marked the first such contact by a top military official since Tiananmen Square. Signaling the resumption of high-level military contacts with China, Perry's trip was aimed at promoting cooperation between the U.S. defense industry and Chinese companies with links to the very military responsible for the Tiananmen Square massacre.

In promoting greater dialogue between the two country's militaries, Perry invited Chinese military leaders to a briefing on U.S. military strategy and policies, to take place in Beijing in November of 1994. Furthermore, Perry took steps to engage China on the economic front. In cooperation with General Ding Henggao, minister of China's Commission of Science, Technology and Industry for National Defense, the Joint U.S.-China Defense Conversion

Commission was established. The commission's role was to help China convert its defense industries to civilian production [*Wall Street Journal*, 10/19/94, p. A16].

A major bellwether in assessing the Clinton Administration's response to the Taiwan Strait crisis will be whether or not Secretary Perry proceeds with a visit, reportedly scheduled for April 8, 1996, by Chinese Defense Minister Chi Haotian [*Wall Street Journal*, 3/14/96]. Defense Minister Chi, who directed PLA operations during the 1989 Tiananmen Square Massacre, will reportedly be received at the Pentagon "with full military honors;" additional planned items on his itinerary reportedly include Sandia National Laboratories in New Mexico (which makes U.S. nuclear weapons components) and the U.S. Space Command in Colorado. Upon inquiry from RPC, the Pentagon would not comment on the status of Chi's visit. Secretary Perry's dialogue with the Chinese military is the subject of detailed articles in the April 1996 issue of the *American Spectator* magazine.

**Commerce Secretary Visits China:** One month before, Commerce Secretary Ron Brown had also been in Beijing, to give his blessing to the signing of over \$5 billion worth of contracts involving U.S. business. Meanwhile, during 1994, the U.S. trade deficit with China grew to almost \$30 billion on the basis of total annual trade of about \$39 billion.

**First Lady Leads U.S. Delegation to U.N. Conference in China:** To ice the cake, in September 1995 President Clinton dispatched a high-level delegation headed by the First Lady to Beijing to participate in the 4th United Nations International Women's Conference — seemingly oblivious to the atrocious impact on women of China's infamous "one-child policy," which features forced abortion and sterilization and has led to widespread sex-selection abortion and female infanticide. The latest annual State Department human rights report states that in 1995 China was guilty of "widespread and well-documented human rights abuses," including torture, coercive family planning practices, and organ transplants from executed prisoners.

### ***Proliferation Issues: Administration Fails to Get Tough, Despite Apparent Violations***

On the proliferation front, this Administration's policies have shown it to be more interested in protecting U.S. trade with China than preventing the spread of nuclear, missile and weapons technology to third countries. These policies stand in stark contrast to candidate Clinton's pledge to "do more to stop weapons of mass destruction from spreading," by, among other things, getting "tough with countries and companies that sell these technologies . . ." [*Putting People First*, p. 136]. This concern was reiterated in the Pentagon's force strategy document, the September 1993 Bottom-Up Review, which claimed the "dangers posed by nuclear weapons and other weapons of mass destruction, including dangers associated with the proliferation of nuclear, biological and chemical weapons . . ." was considered one of the new dangers to the United States in the post Cold War world [Force Structure Excerpts, *Bottom-Up Review*, Secretary of Defense Les Aspin, 9/1/93, p. 1].

Over the last year, the Clinton Administration has failed to act decisively, despite mounting evidence of Chinese sales of nuclear technology, missiles and cruise missiles to third countries in violation of laws prohibiting such proliferation. Current proliferation concerns and the Administration's tepid responses are detailed below.

**Chinese Sale of M-11 Missiles to Pakistan:** In 1992, evidence appeared that China had sold M-11 technology to Pakistan. The Administration imposed sanctions on China in August of 1993, but continued to negotiate a waiver for China in exchange for a promise to stop selling technology to third parties. The sanctions were then waived after just 13 months, when China signed a joint statement agreeing not to export ground-to-ground missiles (but not technology) to other countries.

In testimony before the Senate Select Committee on Intelligence in February 1996, Director of Central Intelligence John Deutch disclosed that the CIA believes China has transferred M-11 missiles, and not just related technology, to Pakistan. Such missile transfer violates the 1987 Missile Technology Control Regime (MTCR), which prohibits the transfer of missile systems, complete subsystems (ballistic and cruise missiles), as well as missile components, such as production technology. While not a signatory to the MTCR, in 1992 China agreed to abide by the regime.

The State Department responded by stating it could not confirm that entire M-11 missiles were sold to Pakistan. Further, recent press accounts disclosed that U.S. intelligence reports pinpointed the apparent location in Pakistan of crated, Chinese-made, medium-range missiles. If confirmed, this violation would require sanctions, but the Administration instead decided no sanctions were needed until the missiles are sighted outside their crates [*Washington Post*, 2/7/96, p.1]. The Administration's reluctance to act in this case appears inappropriate, given the history of Chinese sales of M-11 technology to Pakistan.

**Atom Arms Parts Sold to Pakistan:** In the same testimony before the Senate Select Committee on Intelligence, Director Deutch confirmed that China sold inappropriate nuclear technology, later identified in the press as 5,000 specialized ring magnets, to Pakistan last year. The magnets are designed to be used in high-speed centrifuges to enrich uranium for nuclear weapons at the Abdul Qadeer Khan Research Laboratory in Kahuta, Pakistan.

The magnets sale violates a provision of the 1994 Nuclear Proliferation Prevention Act, which forces a cutoff of Export-Import Bank financing to nations that aid or abet a non-nuclear weapon state in acquiring a nuclear explosive device or unsafeguarded nuclear material. The White House can waive the penalties by weighing the alternatives and making a formal finding that sanctions would go against the national interest.

A recent *New York Times* article summarized State Department officials as concerned that "imposing penalties would deepen tensions between Washington and Beijing over economic, diplomatic, military, commercial and human rights issues" [2/8/96, p.1]. The article goes on to quote arms control advocates and intelligence officials who said that in the past, "the State

Department, seeking to accommodate China, not antagonize it, has overlooked compelling evidence that Beijing was violating weapons proliferation laws and agreements."

And China has been threatening a change in relations should the United States go forward with sanctions. Chinese Foreign Ministry spokesman Shen Guofang had this to say about U.S.-Chinese relations should sanctions be pursued: "I would like to point out that the Sino-U.S. relationship is now showing a momentum of gradual improvement, which has not been easy to come by. If the U.S. side would impose unjustified sanctions against China, it would only end by seriously harming the relationship. It is hoped the U.S. side will not use rumors as the basis for making decisions" [*Baltimore Sun*, 2/15/96, p.1].

**Chinese Export of Anti-Ship Cruise Missiles to Iran:** In a January 30, 1996, meeting of the Defense Writers Group, Vice Admiral Scott Redd, commander-in-chief of the U.S. Fifth Fleet in the Middle East, stated that Iran had test-fired a C-802 anti-ship missile on January 6 near the approaches of the Strait of Hormuz [*Defense News*, 2/5-11/96, p. 8]. The C-802 is similar in capability to the French-made Exocet low-flying cruise missile. With a capability of delivering a 162-kilogram warhead to a target 120 kilometers out at sea, these C-802 missiles could pose a serious threat to U.S. warships operating in the Persian Gulf.

This acknowledgment by a U.S. military official, of the transfer of advanced conventional weapons by China to Iran prompted Senator McCain to write a letter to Lynn Davis, under secretary of state for arms control and international security affairs. The letter asked whether the State Department judged the transfer to constitute a violation of the 1992 Iran/Iraq Arms Nonproliferation Act, (sponsored by Senator McCain and cosponsored by then Senator Al Gore). If not, Senator McCain requested the reasoning for that judgment. Under this law, sanctions are to be imposed against any persons and countries that ship advanced conventional weapons or technology to Iran or Iraq.

The Administration's response: the number of missiles sold by China may not be large enough to force the drastic cutoff of development bank assistance, technical assistance, military exchanges and sensitive exports mandated by the law [*Washington Post*, 2/7/96, p. 1].

**Chinese Firms Supply Iran's Gas Factories:** For more than a year, Washington has been monitoring a steady flow of Chinese chemical-related equipment to Iran, that is being installed in new factories ostensibly meant to produce industrial chemicals for commercial use. But U.S. officials, asserting that the factories have a covert military use, have complained to Beijing about the assistance but have received no response. According to U.S. officials, certain sensitive precursor chemicals have been sold directly by Chinese firms to Iranian organizations affiliated with the military or Revolutionary Guards [*Washington Post*, 3/8/96, p. 26].

The influx of Chinese technology is helping to fuel what one U.S. official described as "the most active chemical weapons program" in the Third World. And another official was quoted as saying, "Within several years, Iran may become virtually independent of imported raw materials" [*Washington Post*, 3/8/96, p. 26].

At present, the Administration is reviewing this case, and is expected to decide within the next few weeks whether the sales warrant U.S. sanctions, such as a cutoff of certain trade.

### ***Looking the Other Way***

These Clinton policy waffles are telling, especially in light of testimony given by CIA Director Deutch, who stated recently, "the intelligence community continues to get accurate and timely information on Chinese activities that involve inappropriate weapons and military technology assistance to other countries: nuclear technology to Pakistan, M-11 missiles to Pakistan, cruise missiles to Iran" [testimony before Senate Select Intelligence Committee, 2/22/96].

In each and every one of these cases, the Administration initially tried to look the other way without imposing sanctions. It wasn't until March of 1996 that the Administration finally took action as a result of Beijing's proliferation activities, and blocked all new loan guarantees from the Export-Import Bank for U.S. businesses seeking deals in China [*Washington Times*, 3/8/96, p. 8]. But these actions fall short of the mandatory sanctions outlined under, for instance, the 1992 Iran/Iraq Arms Nonproliferation Act, which include opposition to the extension of financial or technical assistance by international financial institutions for two years, and termination of technical exchange agreements and a prohibition on the export of technology. Discretionary sanctions include suspension of most-favored-nation status or prohibitions on transactions involving property in which the sanctioned country has interest.

At the same time, however, Director of the Arms Control and Disarmament Agency (ACDA) John Holum said the Administration is **continuing to review** each one of these cases (i.e., the transfer of 5,000 ring magnets used for enriching uranium to Pakistan, the possible sale of M-11 missiles to Pakistan, and the disclosure of China's transfer of cruise missiles to Iran). In the case of the sale of nuclear technology to Pakistan, Holum said: "There are also questions remaining about the significance of it in terms of their [Pakistan's nuclear arms] program. And on that basis, one of the things that it is very important to do is to talk to the Chinese and get their interpretation and their description of what's happening here" [*Washington Times*, 3/8/96, p. 8]. To date, both China and Pakistan have defended the transfer of technology as meant for "peaceful" purposes only.

### ***Intellectual Property Rights Issue: Buying Their Way Out of Copyright Theft***

The Clinton Administration has repeatedly acquiesced to Chinese weapons proliferation in order to preserve economic ties with the People's Republic of China. Adding to the proliferation concerns and the Administration's lack of decisive action is the strain caused by Beijing's theft of billions of dollars of U.S. intellectual property. For example, several Chinese factories are mass-producing copies of U.S. software and music. This piracy cuts billions of dollars in revenue from U.S. companies, many of whom are based in California.

Chinese officials have tried to buy their way out of this, offering to buy \$4 billion in U.S. aircraft (\$3 billion for Boeing airliners and \$1 billion for 20 McDonnell Douglas MD-90 airliners) should the Clinton Administration decide not to impose sanctions. Wu Yi, China's minister for foreign trade and economic cooperation would like to announce the jet orders during a "buying mission" to the United States later this month. According to a recent *Wall Street Journal* article, "Clinton Administration officials say they won't swap the plane orders for a freeze on sanctions on **any long-term basis**" [3/14/96, p. 3]. However, officials also noted that if Ms. Wu were willing to advance negotiations on intellectual property rights, top U.S. trade and commerce officials would meet with her.

But this may turn out to be a ploy: similar circumstances have been witnessed before, usually prior to consideration of Most Favored Nation (MFN). For instance, in 1994 China indicated it was close to purchasing up to 50 Boeing jetliners (valued at \$5 billion), but the order never materialized after MFN was granted. Again in August of 1995, Air China claimed to be interested in buying as many as 15 Boeing passenger planes, yet no order was placed.

In quick response to the *Wall Street Journal* article, U.S. Trade Representative Mickey Kantor, denied such a deal is being contemplated: "We would never countenance such a linkage" [*Associated Press*, 3/14/96]. But this still leaves open the question of how the Administration plans to deal with the thorny issue of continued Chinese piracy, costing U.S. industries \$2.2 billion last year. And this, despite the existence of an agreement, entered into in February of 1994, when Beijing agreed to halt piracy of American products.

---

Staff Contacts: Dr. Yvonne Bartoli and Jim Jatras, 224-2946